

DISTIL BEVERAGES

DIS.L

2.36p

Market Cap: £11.8m

SHARE PRICE (p)



Source: LSE Data

KEY INFORMATION

Enterprise value	£10.9m
Index/market	FTSE AIM
Next news	Prelims – Jun 18
Gearing	N/A
Interest cover	N/A

DISTIL IS A RESEARCH CLIENT OF
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Strong peak Christmas trading....

....sees Distil on track to meet market expectations

Distil's full-year outturn is forecast to be in line with market expectations, following strong trading across its peak Q3 (Oct – Dec) period in what remains a highly competitive market. Despite playing up against the toughest quarterly comparative of last year, when revenue rose 71%, this Q3 delivered revenue (and volume) growth of 19%. Growth was strong across all trade channels, most notably online, albeit from a much smaller base than the On Trade and Off Trade channels. The resultant two-year quarterly growth rate is therefore the best achieved thus far this year, with Q3 revenue in the current year more than double that achieved in Oct – Dec 2015. Our full-year forecasts therefore remain unchanged.

- Revenue and volume growth:** The 19% revenue and volume growth delivered in the quarter brings the cumulative growth rates for the first nine months to 21% and 29% respectively, with marketing investment up 23%. In Q3, brand marketing increased by 11%, reflecting timing and phasing, following the 36% increase seen in H1. Growth continues to be driven by RedLeg and Blackwoods, supported by a resurgent Blavod Black Vodka, especially in Eastern Europe. These Blavod sales are licensed sales, therefore driving volume growth directly but without a commensurate benefit to the revenue line.
- Extended UK listings:** Distil has also announced increased listings of some 520 stores across four major UK retailers. These will come through in Spring, with the full-year benefit weighing in from the next FY19 fiscal year. These incremental listings have primarily reflected the broader market's positive response to the new packaging, labelling and recipe of the Blackwoods 2017 Vintage Dry Gin. Domestic and export shipments of this new product formulation and brand presentation, including a proprietary new bottle, commence from this month.
- Outlook and forecasts:** With the development of Blackwoods complete, management attention will now turn to export markets, with a focus on combining the distribution of gin and spiced rum. Discussions are currently underway for this approach in the US with a shortlist of suitable distributors. Given a positive outlook for Q4 and the future benefits of incremental listings, our forecasts remain unchanged.

FYE MAR	2016	2017	2018E	2019E	2020E
Revenue	1.2	1.6	2.1	2.5	3.0
Adjusted EBITDA	-0.1	0.0	0.2	0.4	0.5
Adjusted PBT	-0.1	0.0	0.2	0.4	0.5
Adjusted EPS (p)	0.0	0.0	0.0	0.1	0.1
EV/sales (x)	9.3x	6.6x	5.3x	4.4x	3.6x
EV/EBITDA (x)	n.a.	797.5x	69.3x	30.5x	23.4x
PE (x)	n.a.	1221.1x	78.5x	33.7x	25.6x

Source: Company Information and Progressive Equity Research estimates

DISTIL - SUMMARY FINANCIALS

Year ended March	FY-15A	FY-16A	FY-17A	FY-18E	FY-19E	FY-20E
£m unless stated						
Profit & Loss						
Revenue	0.67	1.17	1.64	2.06	2.48	3.00
Adj EBITDA	-0.28	-0.09	0.01	0.16	0.36	0.47
Adj EBIT	-0.29	-0.10	0.01	0.15	0.35	0.46
Reported PBT	-0.29	-0.10	0.01	0.15	0.35	0.46
PBT before exceptionals and AAG	-0.29	-0.10	0.01	0.15	0.35	0.46
Fully adj PBT	-0.29	-0.10	0.01	0.15	0.35	0.46
NOPAT	-0.29	-0.10	0.01	0.15	0.35	0.46
Reported EPS (p)	-0.08	-0.02	0.00	0.03	0.07	0.09
EPS before exceptionals and AAG (p)	-0.08	-0.02	0.00	0.03	0.07	0.09
Fully adj EPS (p)	-0.08	-0.02	0.00	0.03	0.07	0.09
Dividend per share (p)	0.00	0.00	0.00	0.00	0.00	0.00
Cash flow & Balance sheet						
Operating cash flow	-0.37	-0.11	0.00	0.05	0.27	0.36
Free Cash flow £m	-0.38	-0.12	-0.07	0.05	0.28	0.36
FCF per share p	-0.10	-0.03	-0.01	0.01	0.06	0.07
Acquisitions	-0.02	-0.02	-0.01	0.00	0.00	0.00
Disposals	0.00	0.00	0.00	0.00	0.00	0.00
Shares issued	0.56	0.60	0.01	0.00	0.00	0.00
Net cash flow	0.17	0.47	-0.07	0.05	0.28	0.36
Overdrafts / borrowings	0.00	0.00	0.00	0.00	0.00	0.00
Cash & equivalents	0.51	0.98	0.91	0.96	1.23	1.60
Net (Debt)/Cash	0.51	0.98	0.91	0.96	1.23	1.60
NAV and returns						
Net asset value	2.23	2.76	2.81	2.96	3.31	3.77
NAV/share (p)	0.51	0.55	0.56	0.59	0.66	0.76
Net Tangible Asset Value	0.72	1.24	1.27	1.44	1.79	2.25
NTAV/share (p)	0.16	0.25	0.26	0.29	0.36	0.45
Average equity	2.09	2.50	2.79	2.88	3.14	3.54
Post-tax ROE (%)	-13.8%	-3.9%	0.3%	5.2%	11.2%	13.0%
Metrics						
	FY-15A	FY-16A	FY-17A	FY-18E	FY-19E	FY-20E
Revenue growth	-72.3%	75.6%	40.4%	25.6%	20.0%	21.3%
Adj EBITDA growth	21.7%	66.8%	114.6%	1050.7%	127.1%	30.7%
Adj EBIT growth	22.1%	66.2%	110.0%	1431.3%	135.0%	31.5%
Adj PBT growth	26.3%	66.2%	109.9%	1455.5%	133.2%	31.5%
Adj EPS growth	26.3%	66.2%	109.9%	1455.5%	133.2%	31.5%
Adj EBIT margins	-43.0%	-8.3%	0.6%	7.2%	14.0%	15.2%
Valuation						
	FY-15A	FY-16A	FY-17A	FY-18E	FY-19E	FY-20E
EV/Sales	16.4	9.3	6.6	5.3	4.4	3.6
EV/EBITDA	(38.6)	n.a.	797.5	69.3	30.5	23.4
EV/NOPAT	(38.1)	n.a.	1,128.1	73.7	31.3	23.8
PER	n.a.	n.a.	1,221.1	78.5	33.7	25.6
FCF yield	-4.3%	-1.1%	-0.6%	0.4%	2.3%	3.1%

Source: Company information; Progressive Equity Research estimates

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